



San Diego City Attorney **MICHAEL J. AGUIRRE**

NEWS RELEASE

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CIVIL LAWSUIT ACCUSING EIGHT CITY PENSION BOARD OFFICIALS OF A QUID PRO QUO SCHEME MOVES FORWARD Trial Court Judge Reconsiders Earlier Ruling

San Diego, CA: The trial court judge who last September dismissed Political Reform Act charges filed by the City Attorney against eight pension board officials vacated his ruling today allowing the City Attorney to file an amended complaint. City Attorney Michael Aguirre sought reconsideration of Judge S. Charles Wickersham's ruling in the City's civil lawsuit, "People v. Grissom", which alleges that city and pension board officials held financial interests in illegal pension benefits created as part of a *quid pro quo* (Latin meaning something for something) scheme in 1996 and 2002.

"It was a remarkable turnaround in court today," said City Attorney Aguirre. "I will be taking personal control of this case and trying it myself. In addition, I have made significant reassignments in the office and will have five Deputy City Attorneys working with me."

Judge Wickersham revised his previous ruling after considering additional arguments raised by Deputy City Attorney Amy Lepine, a member of the City Attorney's Pension Strike Force. According to Lepine, the City Attorney is required to file an amended complaint by December 12, 2005.

The amended complaint is expected to include allegations that Ron Saathoff, a former pension board member and President of the Firefighter's Union Local 145, had a conflict of interest due to the provision of the "presidential benefit", an enhancement that allowed his union pay to be included in the calculation of his pension compensation paid by the City. The amended complaint will also allege that former Acting City Auditor Terri Webster had a conflict of interest because she would benefit from a provision that eliminated the 90 percent salary cap in the calculation of her pension compensation. The complaint will further charge that all of the pension board member defendants had personal financial interests in the legal indemnity that they were to receive from the City in exchange for their agreement to underfund the pension system. The City's pension system is now \$1.7 billion in the hole.

On September 30, the trial court dismissed charges against Lawrence Grissom, Ronald L. Saathoff, John A. Torres, Sharon K. Wilkinson, Terri A. Webster, Cathy Lexin, Bruce Herring and Loraine Lee Chapin

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finding that the only financial interest they gained was the increased pension benefits. Government salary and all compensation, including pension benefits, are generally exempt from conflict of interest statutes.

The initial complaint filed on July 7, 2005, alleged that Defendants' actions pursuant to the *quid pro quo* agreements were illegal under both the San Diego City Charter § 99 and California Constitution Art. 16 § 18, which prohibit the creation of liabilities for which same-year revenues are not available. Aguirre has stated that the defendants' actions have jeopardized the City's long-term ability to meet its fundamental obligations.

The Political Reform Act was passed by initiative in 1974 to prevent self-dealing by government officials who pass laws that benefit them personally. Among its stated purposes, the Act provides that the "assets and income of public officials which may be materially affected by their official actions should be disclosed and in appropriate circumstances the officials should be disqualified from acting in order that conflicts of interests may be avoided."

This week, San Diego Superior Court Judge Frederic Link, began hearing a criminal case brought by the District Attorney, that alleges that five of these defendants did, in fact, hold impermissible financial interests under Government Code §1090.

For a copy of Judge Wickersham's ruling visit www.sdcourt.ca.gov, case #gic850246.

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